

TOTAL BUDGET - REVENUES

Revenue estimates are based on actual prior year amounts, projected FY 03-04 actual amounts, trend analysis, and general economic forecasts. Excluding fund balance appropriations, net revenue is estimated to increase \$11.5 million, or 3.8%, compared to the current year. Property tax revenue is budgeted at \$14 million greater than current year budget assuming a 4.25 cent tax rate increase above the revenue neutral rate initially calculated after revaluation.

Sales tax revenue is estimated at \$1 million less than the current year budget. Local sales tax revenue continues to exhibit little growth and the change in local distribution method instituted by Guilford County in FY 03-04 will cause a reduction in Greensboro's local share in FY 04-05. User fees

and other charges for service are budgeted to increase only slightly, approximately \$260,000, as the budget proposes the elimination of the monthly roll out container service fee. Water and sewer rates will increase for the typical residential bill by around 15% on an annual basis.

Intergovernmental revenues are budgeted to decrease \$1 million and assume a budgeted reduction in "hold harmless" funds from the State from \$1.4 million to \$1 million. These funds are designed to replace the City's net loss incurred due to the State's decision to allow an additional local half cent sales tax but to eliminate previously shared revenues. The following is a summary of total revenues by major revenue type.

Total Revenue by Major Type

	2002-03 Actual	2003-04 Budget	2004-05 Recommended	2005-06 Projected
<i>Property Tax</i>	102,573,752	103,619,505	117,695,104	125,960,442
<i>Sales Tax</i>	30,371,223	34,288,235	33,330,606	33,844,717
<i>Intergovernmental Revenue</i>	29,460,297	31,998,119	30,965,106	31,865,726
<i>User Fees/Charges/Licenses</i>	109,452,998	114,855,860	115,118,983	122,858,767
<i>All Other</i>	70,038,993	76,077,815	77,472,153	74,819,026
<i>Interfund Transfers</i>	28,698,735	30,316,820	33,831,768	37,832,421
<i>Appropriated Fund Balance</i>	35,239,620	24,258,736	28,914,380	26,339,491
<i>Total</i>	405,835,618	415,415,090	437,328,100	453,520,590
<i>Less Transfers & Internal Charges</i>	81,325,859	86,587,805	92,320,381	100,613,400
<i>Net Revenues</i>	324,509,759	328,827,285	345,007,719	352,907,190

Property Taxes

The City of Greensboro relies on property taxes to raise about one third of the net revenues needed to support municipal operations in all funds. The FY 04-05 Recommended Budget is balanced with a property tax rate of 56.75 cents, or 4.25 cents above the "revenue neutral" rate of 52.5 cents. Approximately 1.5 cents of this increase is coupled with the recommendation to eliminate the monthly roll out container service user fee. The revenue neutral rate is initially calculated for any budget year immediately following county-wide revaluation. This

rate is calculated to generate only that revenue growth that the community has been experiencing on an annual basis since the previous revaluation, thereby factoring out the impacts of the new revaluation on a community-wide basis.

The growth in the assessed value of the community is based on projections by the Guilford County Tax Department. Annual tax base growth (exclusive of revaluation) continues to post only meager 1% to 1.5% growth rates. These growth rate estimates are reflective of the difficulties being experienced currently in the local economy.

Local Option Sales Tax

The State of North Carolina grants local governments the authority to levy a local sales tax of up to 2.5%, with the state sales tax currently at 4.5%. Guilford County levies the full 2.5% allowed by state law, including an additional half cent levied as of January 1, 2003. Greensboro's allocation of sales tax revenue returned to Guilford County has previously been based on a statutory per capita formula. Beginning with FY 03-04, Guilford County changed to a formula based on the tax levy in place in all municipalities within the county. This change in distribution will result in a net loss to the City of approximately \$1.4 million in the current year.

Some improvement in sales tax growth is anticipated during the next two years. However, revenue projections, excluding the new half cent authorized in FY 02-03, are still below sales tax revenue received *in FY 01-02*. Local option sales tax revenues constitute about 10% of net revenues. Note: The total figures for this revenue source now include the Rental Vehicle Gross Receipts Tax.

Intergovernmental Revenue

Intergovernmental revenues include those revenues that are collected by the State of North Carolina and returned to local governments, the Beer and Wine Tax and Utility Franchise Taxes. The state has eliminated reimbursements made to localities for taxes previously repealed by the General Assembly, such as Inventory and Intangible Property Taxes. This revenue category also includes any contributions from Guilford County for shared services such as Emergency Management.

Intergovernmental revenues are estimated to be \$1 million, or 3.2%, below the budgeted amounts for FY 03-04. The budget includes \$1 million in "hold harmless" funds from the State of North Carolina, about \$365,000 less than budgeted in the current year. (Note: Actual receipts for FY 03-04 were \$1.6 million, so the effective reduction is \$600,000). These funds are designed to replace the City's net loss incurred due to the state's decision to allow an additional local half cent sales tax but to eliminate previously shared revenues. Intergovernmental revenues account for about 9% of net revenues.

User Fees, Charges and Licenses

These revenues represent charges for City services that are provided by departments typically operating as enterprises in separate funds. Examples include

water and sewer charges, landfill tipping fees, parking fees and the stormwater management fee. Charges for services such as Parks and Recreation programs are also included in this category.

These revenues show only a slight gain of \$260,000 over the FY 03-04 Adopted Budget. The recommended budget proposes the elimination of the monthly roll out container refuse service charge, currently at \$5 per month. The revenues generated by this fee for the Solid Waste Fund would be replaced by higher contributions from the General Fund, supported through additional property taxes. This property tax/user fee exchange will help fund solid waste collection and disposal services, particularly the increased cost for disposal resulting from the opening of the Refuse Transfer Station, in a more progressive manner. It would also slightly alleviate the overall user fee impact felt by those City residents and customers receiving both solid waste and water and sewer service.

Water and sewer rates will increase the typical residential bill by around 15% on an annual basis to help support a capital program that projects maintenance and expansion projects in the neighborhood of \$200 million over the next six years.

User fee revenues for FY 05-06 project a \$7.7 million, or 6.7%, increase over the FY 04-05 Recommended Budget. Virtually all of this projected increase is based on anticipated rate increases for Water Resources in FY 05-06.

Other Revenues

Revenues not otherwise defined are included in this category. These include interest income, internal service charges, proceeds of capitalized leases, donations and sale of assets.

Much of the \$1.4 million, or 1.8%, increase is due to planned increases in charges assessed to Water Resources for Engineering services provided by the Engineering and Inspections Department.

Interest earned by various funds is included in this revenue category. Lower interest rates continue to impact this revenue stream adversely. While actual interest income for FY 02-03 reached \$8.2 million, budgeted interest income for FY 04-05 is only \$5 million.



Interfund Transfers

Interfund transfers are contributions made by one fund to support operations in another fund, such as contributions from the General Fund to the Solid Waste Management Fund to support refuse collection and contributions to the Debt Service Fund to support voter approved bond project financing.

Interfund transfers show a \$3.5 million, or 11.6%, increase for FY 04-05. The General Fund transfer to the Solid Waste Fund is recommended to increase from \$7.4 million to \$10.4 million in anticipation of eliminating the \$5 per month roll out container service fee. The General Fund contribution for the War Memorial Coliseum Fund is budgeted at \$1.8 million, or \$250,000, higher than current year. Coliseum event volume and activity are projected at lower levels for FY 04-05 as compared to FY 03-04. Notably, the 2005 ACC Men's Basketball Tournament will not be hosted by Greensboro. The General Fund contribution to the Nussbaum Housing Partnership Fund is budgeted at \$1.78 million, including \$97,000 to support historic preservation activities within that fund. This

represents revenue equivalent to approximately 0.85 cents on the tax rate after the 2004 revaluation.

Fund Balance

The City of Greensboro fund balance policy states that "Each year the estimated savings realized from unexpected appropriations in the General Fund shall be evaluated with respect to appropriation to the following year's revenue budget as Appropriated Fund Balance to assist in financing that year's budget." Appropriated fund balance amounts are increasing by \$4.6 million, or 19.2%, from the Amended FY 03-04 Budget. Both the Stormwater Management Fund and the State Highway Allocation Fund (the "Powell Bill") anticipate drawing considerable reserves from fund balance and transferring those monies to appropriate capital projects accounts.

The Solid Waste Management Fund will increase its fund balance appropriations from \$1.8 million to \$2.8 million to help support the opening of the Refuse Transfer Station in FY 04-05.

Total Net Revenues by Major Type
(Comparison of Adopted FY 99-00 and Recommended FY 04-05 Budgets)

